



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 2/2/2004

GAIN Report Number: AR4008

Argentina

Livestock and Products

Semi-Annual

2004

Approved by:

Robert Hoff
U.S. Embassy

Prepared by:

Ken Joseph

Report Highlights:

Argentine beef exports for 2004 are forecast up at 420,000 tons, as result of a continued steady demand from certain markets, and FOB prices. Slaughter and beef output is forecast to be lower than previously projected as a severe drought during winter and spring 2003 forced the marketing of cattle which would have been finished several months later. Pregnancy rates were also affected, reducing significantly the 2004 calf crop.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Semi-Annual Report
Buenos Aires [AR1]
[AR]

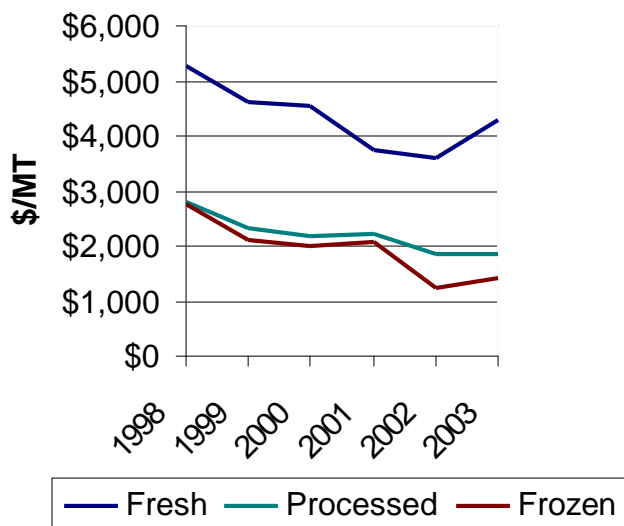
SECTION I. SITUATION AND OUTLOOK

Argentine beef exports for 2004 are forecast at 420,000 metric tons (MT), larger than previously projected. Local traders found in the latter part of 2003 a stronger world market, with increased opportunities and prices. Low meat stocks in the European Union (E.U.) and the fact that Brazilian FOB prices are increasing open up better opportunities for Argentine beef. It appears that the BSE situation in the United States will not have strong negative effect as most traders had initially feared.

Exports of frozen beef are expected to continue to increase in 2004. Russia, Algeria, Israel, and Bulgaria accounted for 70 percent of Argentina's 2003 exports, which totaled about 105,000 tons (product weight). Traders also expect slightly higher shipments of processed beef products, as long as the BSE situation stays under control and beef consumption remains steady in the United States. Exports of fresh boneless beef, which totaled almost 70,000 tons (product weight) in 2003, are also forecast to expand somewhat, especially with the reopening in March 2004 of the key Chilean market.

Meat exporters forecast prices to remain stable or increase slightly in 2004. Although Argentine average FOB beef prices during 2003 improved, they are still much lower than a few years ago:

Argentine FOB Beef Prices



Although Argentina is free of BSE, it has not been able to capitalize on the problem of the BSE in the United States due to its status of foot and mouth disease (FMD). Markets like Japan, Korea and Mexico are closed to Argentine fresh beef. Argentina has made good progress in controlling FMD in the past few years. However, in late August 2003, there was a case detected in a small, remote hog farm in the northern part of Salta province. An APHIS team, which was about to come down to initiate a risk assessment to allow the re-entry of boneless fresh beef from Argentina, was postponed. This means that Argentina will not be able to export fresh beef into the United States until the risk assessment is successfully completed and USG agencies provide final clearance. Several markets closed down right

after the announcement of the outbreak, but since then, most have reopened. As mentioned above, Chile is still closed and exporters are looking forward to its reopening in next March.

Cattle slaughter in 2004 is reduced to 12.4 million head, slightly down from our previous forecast, with a total beef output of 2.65 million tons. This reduction is a consequence of a larger, forced slaughter in 2003 as result of a very dry and harsh winter (and the first part of spring) in several cattle producing regions of the country. Many producers had to market their cattle in advance. A record number of cattle were fattened in feedlots as many producers ran out of pastures and feed. Cattle finished in confinement are usually much younger and lighter than the average.

Some sources estimate that about 400,000 head of cattle died in 2003 as result of the drought. However, its real impact will be felt in 2004 and 2005. The 2004 calf crop (July-October) will be smaller as pregnancy rates are feared to be very poor. Therefore, the number of cattle available for slaughter in 2005 will also suffer a reduction.

Strong world prices for grains and oilseeds continue to put pressure on the cattle sector in Argentina. Many producers continue to put into crop production pastures devoted to cattle. Due to this, plus serious weather problems in the past couple of years (floods and then drought) the area of alfalfa pastures has been reduced by one third. Sources estimate that the area left with alfalfa is approximately 3.2 million hectares. This situation is forcing feeders to use more grains, which are normally supplied to the cattle in the last three months prior to marketing.

Cattle prices in 2004 are forecast to increase as a limited cattle supply, stronger consumer demand and better export prospects could drive prices over 2.0 pesos per kilo (US\$0.70 per kilo).

Despite the fact that retail beef prices have increased 80 percent since the peso devaluation in early 2002, domestic beef consumption was quite strong in 2003 and it is expected to continue that way in 2004. Salaries are expected to continue to increase, especially for workers at the lower end of the pay scale, who are normally the largest beef consumers. Economic growth and lower unemployment should also add to a firm consumption.

The Argentine Government is working on a national cattle program with the objective of expanding production and encouraging higher export surpluses. There is little information available so far, but this would be one of the first government active policies to promote cattle production in the past several years. The National Beef Promotion Institute has recently started operating. Producers and packers fund its budget with payments of pesos \$0.43 and pesos \$0.19 respectively, per slaughtered animal. The Institute participated in the Anuga food show in Germany in 2003 and launched a domestic campaign to support consumption during New Years festivities.

SECTION II. STATISTICAL TABLES

PSD Table

Country Commodity	Argentina Animal Numbers, Cattle (1000 HEAD)					
	2002	Revised	2003	Estimate	2004	Forecast
Market Year Begin	USDA Official [	Estimate [01/2002	DA Official [	Estimate [01/2003	DA Official [	Estimate [01/2004
Total Cattle Beg. Stks	50369	50369	50869	50869	51119	50268
Dairy Cows Beg. Stks	2200	2150	2150	2000	2150	2000
Beef Cows Beg. Stocks	18500	18500	18400	18400	18600	18200
Production (Calf Crop)	13800	13800	13600	13600	13500	12700
Intra EC Imports	0	0	0	0	0	0
Total Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	64169	64169	64469	64469	64619	62968
Intra EC Exports	0	0	0	0	0	0
Total Exports	0	0	0	1	0	0
TOTAL Exports	0	0	0	1	0	0
Cow Slaughter	4200	4200	4200	4400	4200	4400
Calf Slaughter	1600	1600	1800	1900	1900	1600
Other Slaughter	6500	6500	6300	6700	6500	6400
Total Slaughter	12300	12300	12300	13000	12600	12400
Loss	1000	1000	1050	1200	1000	800
Ending Inventories	50869	50869	51119	50268	51019	49768
TOTAL DISTRIBUTION	64169	64169	64469	64469	64619	62968
Calendar Yr. Imp. from U.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

PSD Table

Country Commodity	Argentina Meat, Beef and Veal					
	(1000 MT CWE)(1000					
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [	Estimate [DA	USDA Official [	Estimate [DA	USDA Official [	Estimate [I
Market Year Begin	01/2002		01/2003		01/2004	
Slaughter (Reference)	12300	12300	12300	13000	12600	12400
Beginning Stocks	0	0	0	0	0	0
Production	2700	2700	2650	2800	2750	2650
Intra EC Imports	0	0	0	0	0	0
Total Imports	9	9	12	13	8	10
TOTAL Imports	9	9	12	13	8	10
TOTAL SUPPLY	2709	2709	2662	2813	2758	2660
Intra EC Exports	0	0	0	0	0	0
Total Exports	348	350	330	395	350	420
TOTAL Exports	348	350	330	395	350	420
Human Dom. Consumptic	2361	2359	2332	2418	2408	2240
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumptic	2361	2359	2332	2418	2408	2240
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	2709	2709	2662	2813	2758	2660
Calendar Yr. Imp. from U.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0